DHRM Responds to Employees Questions about Compensation

Beginning in March of this year, DHRM published a series of articles on the 2001-compensation package and an in-depth explanation on how the compensation system works. These articles have generated questions and comments from employees that have raised additional issues. Here in question/answer format are the most common comments or questions with a response from DHRM. These are actual questions and comments from employees with minor editing to remove references to agencies or specific situations.

Question. I understand how granting or recommending funds be provided to fund a COLA and MCA (Market Comparability Adjustment) would be a "double adjustment" for inflation. But, I think what employees have difficulty with is the fact that we are given either a Merit or COLA, never both in the same year. To me, a Merit is or should be a "reward" for successful or exceptional performance. Therefore, the increase should allow the employee to bring home a higher wage and have more purchasing power. By being given either a Merit increase or COLA this doesn't happen. So, employees feel they are not getting ahead, or even keeping up with inflation. Hence, the feeling of "being undervalued".

Answer. Some important fundamental issues are raised with this comment. First, each of us, whether entrepreneur or employee, have certain expectations for rewards from our chosen employment. Obviously, we expect to provide for our personal and family needs. We hope to do this by keeping up with inflation and ideally, getting ahead by profiting from our career preparation, experience and hard work.

The second fundamental issue gets right to the heart of the compensation system. In order to remain a competitive employer, we must do a reasonable job of satisfying these expectations. As this employee makes clear, failure to maintain parity with inflation and receive recognition for hard work and performance is discouraging.

As explained in our three part series (*see the May, June and July editions of Capitol Connections*), the state uses a market-based approach. The basic strategy is to adjust for inflation and market movement and provide performance increases where possible. However, with limited fiscal resources, year to year we must decide which type of increase will best move us toward our ultimate goal of establishing a balanced market based compensation system. The range adjustments or MCA's address the inflation factor. However, we need to recognize that the market discriminates in this arena. All jobs are not treated equally in regard to inflation and this will be reflected in the state strategy. Movement along the range with merit steps is the performance factor. This is why DHRM recommends discretionary monies. Excellent performers can receive meritorious pay increases as a reward for their hard work.

If it was state policy to treat all jobs equally, we could give everyone an annual adjustment equal to the Consumer Price Index (CPI) and then set aside monies for performance increases. But, this would soon produce distortions in our compensation system when compared to the market. For example, we would quickly notice significant market lag in the salaries for information technology and medical positions. On the other end of the spectrum, we would find some positions that are over valued because of these “regular” adjustments. The market simply does not give CPI adjustments for all jobs every year. Our task, defined by law, is to stay competitive with the market within fiscal constraints.

Question. I read your article today on the Internet regarding Part 3 of the State Compensation Plan. I must say your discussion on State efforts to alleviate salary “compression” is overstated. In my department, a recent market survey for some key positions found the State salaries are 25-30% behind the market. During discussions on what to do to solve this problem, our management stated that insufficient funds are available to provide any "discretionary" or other increases for exceptional employees. Consequently, the market adjustment for these positions that are below the mid-point of the new range will be limited to only 2 steps (1 for merit step, and 1 MCA step), for a total of 5.5%. This does little to offset the 25-30% margin found during the market survey. In contrast, my younger associates, found at or near the bottom of the current range, will experience as much as a 9-step increase (24.75%). *(DHRM Clarification: The ranges for this particular benchmark and related jobs were moved 9 steps. Employees who fell below the minimum step of the new range after this movement received as many steps as it took to bring them up to the minimum step. In addition, employees who were on steps 1-5 of the new range received a one-step increase).*

The "compression" lives on. If the State were serious about avoiding salary compression, they would:

1. Conduct salary surveys more often to ensure that the differential is only 5% or less below the market rate. The 2-step adjustments could be made more often, thus providing more equity between senior and younger staff, or

2. Find funds to provide a better increase, and thus avoid salary compression for senior staff.

Answer. Unfortunately, this department was not able to make the progress we had hoped because the budget was hit with a double whammy. First, the Legislature cut the budget for personnel expenditures and then the agency was confronted with the budget holdback along with the rest of the state. This severely limited the amount of discretionary money available for step increases.

One of the points that should have been emphasized more in the article is the long-term nature of our effort to resolve the compression problem. Resources are limited and what is available will not always be evenly distributed among agencies. However, if we are to lick this problem, we must take advantage of every opportunity and use the resources given us to the best advantage. This probably sounds a little trite, but we do have a strategy designed to focus all available resources on the problem. First, we agree that annual surveys are critical. Ranges that are more than 5% below the market will be recommended for an MCA. This has to be our first priority. Second, we will recommend the funding necessary to move the ranges. Third, we will ask for discretionary money to give employees additional steps. Fourth, we will resist efforts to divert monies destined for salaries into other approaches that do not assist in solving this problem.

Hopefully, over time we will resolve this issue and secure a fair market salary for all employees. As a note of interest, we have made some progress this year on a statewide basis. In spite of budget setbacks and large range movements among some jobs, we have reduced the percentage of employees in the first quartile of their range with this year's plan. We are convinced this strategy will work if we can just stay with it.

Question. I read the article you wrote for the "capitol connections" newsletter regarding state employee compensation. I would like to see the protocol used to determine which jobs titles will be "visited" each year in the Market Comparability list made public knowledge or at least open to state employees to see. It seems to me that info/tech jobs are reviewed more frequently than many other jobs in the state. Secondly, I would like to see the list of all jobs in the state for each particular year that were reviewed for Market Comparability be made public knowledge. Even if my job did not qualify to receive a MCA, then I at least would know that that my job was being reviewed.

Answer. We combine similar jobs into groups for the purpose of the salary survey. Every year each job is reviewed to ensure it is in the right job family with an appropriate benchmark. Every benchmark is surveyed every year and thus every position is evaluated in the market via its benchmark. It is correct that some jobs move in the market faster than others do. Consequently, they are on the MCA list more frequently. Information technology jobs are one of those because of the rapid growth in their salaries. We have posted the MCA lists for 1998, 1999, 2000 and 2001 on our web page at www.dhrm.state.ut.us. On the left side of the page, click on the “comp/benefits” button, then on the link for "market comparability lists".

Question. How do I get copies or the URLs of the segments of the Compensation series? I would like to print them for my resource files.

Answer. The new Capitol Connections web page has links to past editions. The URL is http://www.das.state.ut.us/cc/main/index.htm.